

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Milwaukee District Office  
310 West Wisconsin Avenue, Suite 1160  
Milwaukee, WI 53203-2213  
(414)297-1501 Fax: (414)297-1685



May 7, 2007

Ms. Gail Karstetter, Secretary Treasurer  
Machinists AFL-CIO, Local 2269  
450 West Street  
Loganville, WI 53943-9620

Re: Case Number [REDACTED]  
File Number 064-166

Dear Ms. Karstetter:

This office has recently completed an audit of Machinists Local 2269 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you and International Union Auditor Rick Fisher on Thursday, April 5, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as all account balances can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficient descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least on union record. Bank records must also be retained for all accounts.

1. Meal Expenses

Union officers failed to maintain adequate documentation for some meal expenses. Although receipts from the restaurants were retained, union records did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. As an example, check [REDACTED] was issued to Viking Village in the amount of \$40.30. A note on the voucher for the expense notes the purpose of the expense as "district lunch." However, the records retained do not identify the names of those present.

2. Lost Time Claims

Lodge 2269 failed to retain sufficient documentation for at least eleven lost time claims. The lost wage claims must identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. For example, Check [REDACTED] to Gail Karstetter for lost time of 10.5 hours, but the voucher retained for that check does not identify the date(s) that wages were lost or the union business conducted that required the lost wages be incurred.

3. Receipt and Disbursement of Unemployment Stamp Income

During the audit, you advised that Lodge 2269 collects payments from members for stamps that unemployed members are required to pay in lieu of dues to retain their membership. You advised that you make bank deposits once per month and that you return the unemployment stamp payments to members if they become employed before the end of the month that they made the payment. However, in those instances neither the receipt nor disbursement of the money is recorded in union records.

The instructions for Statement B of the Labor Organization Annual Report (Form LM-3) required to be filed by Lodge 2269 state that receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement.

As noted in the LM-3 instructions, records must be maintained which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. Lodge 2269, failed to maintain records that identify the amounts received and returned to members related to unemployment stamp income in those cases where members became employed in the same month that they paid for an unemployment stamp. Receipts records must include an adequate identification of all money received. The records should show the date and amount received, and the source of the money.

#### 4. Dues Payment Remittance Stubs

Local 2269 failed to retain the check stubs for dues payments received from District 121 with the dues check-off reports. The payment stubs must be retained because they show the amount of money received and support receipt information recorded in both union records and the LM-3.

### Reporting Violations

The CAP disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Lodge 2269 for fiscal year ending December 31, 2005, was deficient in the following areas:

#### 1. Certificates of Deposit Recorded as Investments

Lodge 2269 improperly reported a certificate of deposit as an investment in Statement A (Assets and Liabilities). The audit revealed Lodge 2269 did not have any other investments besides its certificate of deposit. For LM-3 reporting purposes, a certificate of deposit is considered cash (regardless of the term length).

Ms. Gail Karstetter

May 7, 2007

Page 4 of 4

The purchase or redemption of a certificate of deposit is a transfer of cash from one account to the other and, therefore, should not be reported as a receipt or disbursement.

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Lodge 2269 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

I am not requiring that Lodge 2269 file an amended LM-3 report for 2005 to correct the deficient items, but as agreed, Lodge 2269 will properly report the deficient items on all future reports filed with this agency.

Other Issue

During 2006, executive board meeting minutes were not created. You advised that during 2006 executive board meetings were held, but minutes of those meetings were not created because Lodge 2269 did not have a recording secretary. Meeting minutes typically document authorization of important financial matters and support the financial information reported by your union on its LM-3 report. OLMS suggests that unions create minutes of all meetings.

I want to extend my personal appreciation to Machinists Local 2269 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Elden Buelow, President  
Rick Fisher, Grand Lodge Auditor